



**EDDIE
SENATORE**

12 December 2019

EDDIE SENATORE
Advisory

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To the creditor as addressed

Dear Sir or Dear Madam

**CAAAMS Pty Ltd (In Liquidation) Formerly Trading as South Coast Hospitality NSW
ACN 607 497 012 (“the Company”)**

As you are aware, I was appointed Liquidator of the Company on 20 November 2019.

Please find enclosed a copy of the Statutory Report to Creditors, dated 12 December 2019.

Please contact my office should you require further information.

Yours faithfully

Ezio Senatore
Liquidator

Date of Appointment:	Administrator:	16 October 2019
	Liquidator:	20 November 2019
Contact name:	Ezio (Eddie) Senatore	
Contact number:	(02) 6100 3435	
Email:	hello@eddiesenatore.com	

Encl: Statutory Report to Creditors.



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**CAAAMS Pty Ltd
(In Liquidation)
Formerly Trading as South Coast Hospitality
NSW
ACN 607 497 012
("the Company")**

**Statutory Report by Liquidator
Insolvency Practice Rules (Corporations) 70-40**

12 December 2019



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1. Executive Summary

1.1 Appointment

I Ezio (Eddie) Senatore of Eddie Senatore Advisory, Registered Liquidator, Unit 2, 16 Bougainville Street, Griffith ACT 2603 was appointed Administrator of the Company on 16 October 2019. At a meeting of creditors held on 20 November 2019, creditors resolved to place the Company into liquidation and I was subsequently appointed Liquidator of the Company on the same date.

I hereby submit the following report as required, Pursuant to Rule 70-40 of the *Insolvency Practice Rules (Corporations) 2016* (“IPR”).

You are welcome to contact me to discuss any aspect of this liquidation.

1.2 Purpose of Report

This report is provided in accordance with Rule 70-40 of the IPR. The purpose of this report is to provide creditors with information on:

- The progress of the liquidation;
- The estimated assets and liabilities of the Company;
- The inquiries I have made to date;
- Further inquiries needed to be made;
- What happened to the business of the Company;
- The likelihood of a dividend being paid to creditors; and
- Any possible recovery actions.

1.3 Progress of Liquidation

This report has been prepared based on my investigations including a review of the Company’s financial information. Whilst I have endeavoured to determine the accuracy or otherwise of the information provided, I am unable to warrant the accuracy, completeness or reliability. I reserve the right to alter any conclusion or recommendation in this report on the basis of further information that may become available.

A brief overview of the steps I have taken in this external administration matter is provided below:

- Open an administration bank account;
- Contacted all banks in order to secure Company funds held in any bank account;
- Liaising with Company’s bankers in regard to existing and opening new bank accounts;



- Review of general insurance requirements;
- Discussions with the Company's Director;
- Notified service providers to advise of appointment as an administrator and cease all services in the name of the Company;
- Corresponded with holders of bank guarantees;
- Received and reviewed proofs of debt;
- Corresponded with various State and Territory Government agencies;
- Searched personal property securities (PPS) registered on the PPS Register (PPSR)
- Corresponded with PPS holders registered on the PPSR;
- Collection of books and records;
- Lodgements and notifications of appointment with relevant statutory bodies;
- Preparation and dissemination of initial circular to creditors;
- Preparation of creditor updates and correspondence to creditors;
- Bank reconciliations;
- Company, individual and land title searches;
- Sought and obtained the books and records of the Company from various parties;
- Examined the Company's books and records that have been provided in detail;
- Liaising with the Company's accountant and director in order to seek information regarding the Company's affairs;
- Examined the Company's books and records to determine if there are any recoveries pursuant to Part 5.7B of the Act, which includes unfair preference action, insolvent trading action against the director and potential uncommercial transactions and/or unreasonable director related transactions;
- Undertook a preliminary insolvency analysis to determine if the Company traded whilst insolvent;
- Examined the Company's books and records to determine if there is undisclosed assets of the Company; and
- Initial examination of the Company's affairs to determine if the director has complied with his obligations.

1.4 Receipts and Payments

A summary of my receipts and payments are attached in **Appendix A**.

1.5 Summary of Initial Investigations

I have identified transactions which warrant further investigations and currently in the process of finalising my investigations. My initial investigation have confirmed that the Company traded whilst insolvent from at least 1 April 2019, if not earlier.

1.6 Remuneration

The quantum of remuneration sought is consistent with my previous remuneration advice dated 13 November 2019.

1.7 Next Steps

To progress the liquidation, the following matters will be undertaken as next steps:



- Collection of the Company's debtors;
- Liaising with the director in respect to queries concerning the Company's affairs;
- Finalise inquiries in respect of potential voidable transactions under Part 5.7B of the Act;
- Completing ongoing statutory obligations; and
- Preparation and dissemination of progress reports to creditors.

2. Meeting of Creditors

If I receive a request for a meeting complying with the guidelines set out in the initial information provided to you, I will hold a meeting of creditors. Otherwise, and pending further progress of my investigations into the affairs of the Company, I do not intend to call a meeting of creditors at this time.

3. Company Background

3.1 History of the Company

Detailed below is information regarding the Company obtained from the ASIC searches as at the date of my appointment.

Company Details

Information	Details
Commencement Date	15 July 2019
Registered Office	Juggernaut Advisory Suite 6 15 Boree Street, Ulladulla New South Wales 2539
Principal Place of Business	187 Camden Street, Ulladulla New South Wales 2539

3.2 Directors and Officers

Detailed below is information regarding the directors and secretaries of the Company obtained from the ASIC searches as at the date of my appointment.

The following directors are disclosed:

Director	Appointment Date	Cease Date (if applicable)
David Robert Muffet	6 August 2015	Current

The following are disclosed as former directors:

Former Director	Appointment Date	Cease Date
Francis Joseph Vella	6 August 2015	28 June 2018

The ASIC database indicates the following Secretaries:

Director	Appointment Date	Cease Date (if applicable)
David Robert Muffet	6 August 2015	Current



3.3 Security Interests

A search of the Personal Property Security Register search indicates 11 security interests registered against the Company. This will be further discussed in section 3.7 of this report.

3.4 The Business of the Company

The Company commenced operations on 6 August 2015, the Company's registered office was Juggernaut Advisory, Suite 6, 15 Boree Street, Ulladulla New South Wales 2539 and the Company's principal place of business was 187 Camden Street, Ulladulla New South Wales 2539.

The business of the Company was wholesale trade of hospitality goods to restaurants, cafes and caterers.

3.5 Events leading up to Liquidation

The business of the Company was purchased from an unrelated entity in or around August 2015 and began trading on 6 August 2015.

The business of the Company provided wholesale hospitality supplies to restaurants, cafes and caterers.

Initially the Company was making profits, however in subsequent years the Company's profits began to decline.

According to the director of the Company, the reason for the decline in the Company's profits was due to poor economic conditions and an increase in competition, with larger wholesale providers under cutting the prices of the smaller wholesalers, leading to a reduction in the Company's customer base, due to the industry being dominated by price sensitive customers.

The director sold the business of the Company and ceased to trade prior to my appointment.

3.6 Books and Records

Failure to maintain books and records may be relied upon by a liquidator in an application for compensation for insolvent trading and other actions for recoveries pursuant to Division 2 of Part 5.7B of the Act.

The Company's books and records have been received and in my opinion, the Company did not maintain books and records in accordance with Section 286 of the Act.

This is because, only the FYE 2017 and 2018 externally prepared financial statements were provided and the internally prepared financial statements post FYE 2019 were incorrectly prepared and do not reflect the true financial position of the Company.



3.7 Report on Company Activities and Property (ROCAP)

A ROCAP provides information on the financial position of the Company as at the date of appointment of a liquidator. This is completed by a company's director. I confirm the Director has completed a ROCAP.

Should any creditor wish to inspect or obtain a copy of the ROCAP please contact me.

The director advised in his ROCAP that the business of the Company was sold prior to my appointment. The sale included all stock, motor vehicles, office equipment, plant & equipment, and goodwill of the Company.

A summary of the assets and liabilities of the Company is as follows:

Summary of Assets and Liabilities

Details	Director's ERV	Estimated Realisable Value
	\$	\$
Assets		
Cash at bank	61,840	61,840
Trade Debtors	9,868	1,670
Forklift	-	1,000
Total Assets	71,708	64,510
Liabilities		
Priority Creditors	-	-
Secured creditors	122,670	125,500
Unsecured creditors	165,358	330,048
Total Liabilities	288,029	455,548
Estimated surplus / deficiency	(216,321)	(391,038)

Assets

I make the following comments in relation to the Company's assets:

Cash at Bank

As at the date of my appointment correspondence was sent to all banks requesting details of any bank accounts.

My inquiries indicated the Company operated bank accounts with the Australian New Zealand Banking Group Limited ("ANZ").



A total of \$61,840 was transferred from the Company's ANZ bank account by the director as at the date of my appointment to my trust account, being the balance of the Company's bank accounts as at the date of my appointment.

No other bank accounts in the name of the Company have been identified to date.

Debtors

A review of the Company's balance sheet as at the date of appointment indicated the Company had \$96,551.22 receivable from trade debtors.

A review of the aged receivables indicated that \$83,397.31 of these debtors were uncollectable, as they related to cash sales that were recorded as debtors of the Company.

The director has confirmed these amounts were incorrectly recorded.

The director advised that only \$9,868.43 in debtors was receivable, of which \$1,670.61 was likely to be recoverable.

I advise I have contacted all the debtors of the Company, that the director deemed receivable, requesting they make payment.

To date no amounts have been received and a total \$735.47 in debtors have been written off.

I anticipate that the remaining balance of the debtors will also be written off, due to the age and quantum of the debts which is rendering the debts uncommercial to pursue.

Forklift

The director advised that a forklift registered in name of the Company was sold prior to my appointment to an unrelated party in the amount of \$2,000 incl. GST.

Prior to my appointment an auctioneer was contacted and provided with photos and details of the condition of the forklift in order to get an understanding of the value of the forklift.

The auctioneer advised that this forklift had an estimated realisable value of \$2,000 incl. GST, with expected realisation costs to be approximately \$200.

Prior to my appointment a total of \$1,000 was received into the Company's bank for the sale of the forklift, with \$1,000 that was to be paid at a later date.

I confirm that the balance for the sale of the forklift, being \$1,000 has been received and I have deemed the sale of the Company's forklift to be a commercial sale.

Sale of Business

My investigations to date have indicated that the business of the Company was sold to an unrelated entity prior to my appointment.



I conducted my inquiries in relation to the sale and I subsequently deemed the sale of business to be a commercial transaction, subject to further information being received from Westpac.

Liabilities

I make the following comments in relation to the Company's liabilities;

Priority Creditors (Employee Claims)

As at the date of my appointment the director advised that there was no outstanding employee entitlements owed to any former employees of the Company.

My inquiries to date have not identified any entitlements owed to any employees of the Company.

No further investigations will be conducted in relation to employee entitlements owed by the Company.



Secured Creditors/PPSR

There were 11 PPSR registrations in the name of Company as at the date of my appointment, details of which are below:

Registration Number	Secured Party	Date	Collateral
201509010084232	Australia And New Zealand Banking Group Limited	1 September 2015	All PAP
201509150065562	Sancell Pty Ltd	15 September 2015	Other Goods
201706070057150	Volkswagen Financial Services Australia Pty Limited	7 June 2017	Motor Vehicle
201708170040269	Nilfisk-Advance Pty Ltd	17 August 2017	Other Goods
201708170040276	Nilfisk-Advance Pty Ltd	17 August 2017	Other Goods
201709220052670	Nisbets Australia Pty Limited	22 September 2017	Other Goods
201710200110457	Spectrum Brands Australia Pty Ltd	20 October 2017	Other Goods
201810290045174	Skope Industries Ltd	29 October 2018	Other Goods
201812190084375	Solaris Paper Pty Ltd	19 December 2018	Other Goods
201902040021797	Westpac Banking Corporation	4 February 2019	Motor Vehicle
201908220057946	Bastion Pacific Pty Ltd	22 August 2019	Other Goods

Australia and New Zealand Banking Group Limited

Correspondence was sent to the ANZ as at the date of my appointment advising of my appointment and requesting further details in relation to their security interest.

The ANZ subsequently responded providing a copy of their loan agreement, advising that their security interest related to loan account that was registered as a general security agreement and that the director and former director provided a personal guarantee and indemnity for this loan.

The Company also had a credit card facility with the ANZ.

A proof of debt was provided by the ANZ, detailing the amounts owed for each facility, details of which are below;

Detail	Amount \$
Loan	111,154.04
Credit Card	9,975.40
Total	121,129.44



Sancell Pty Ltd

Correspondence was sent to Sancell Pty Ltd ("Sancell") as at the date of my appointment advising of my appointment and requesting further details in relation to their security interest.

To date I have not received a response.

Volkswagen Financial Services Australia Pty Ltd

Correspondence was sent to Volkswagen Financial Services Australia Pty Ltd ("Volkswagen") as at the date of my appointment advising of my appointment and requesting further details in relation to their security interest.

Volkswagen responded advising that the loan had been paid out in full on 8 October 2019.

The director advised that the security interest related to a motor vehicle, being a 2017 Volkswagen Crafter 35 400 LWB TD.

This motor vehicle was included as part of the sale of business which occurred prior to my appointment and the funds used to payout the motor vehicle, were paid directly by the purchaser.

I have subsequently deemed the sale of business to be a commercial sale of business, subject to further information being received.

Nilfisk-Advance Pty Ltd

Correspondence was sent to Nilfisk-Advance Pty Ltd ("Nilfisk") as at the date of my appointment, advising of my appointment and requesting further details in relation to their security interest.

To date no response has been received.

Nisbets Australia Pty Limited

Correspondence was sent to Nisbets Australia Pty Limited ("Nisbets") as at the date of my appointment, advising of my appointment and requesting further details in relation to their security interest.

To date no response has been received.

The director advised as at the date of appointment \$2,670.83 was owed to Nisbets.

Spectrum Brands Australia Pty Ltd

Correspondence was sent to Spectrum Brands Australia Pty Ltd ("Spectrum") as at the date of my appointment, advising of my appointment and requesting further details in relation to their security interest.



Spectrum subsequently responded advising that their security interest had been discharged and provided a discharge registration verification statement to confirm the discharge.

Skope Industries Ltd

Correspondence was sent to Skope Industries Ltd ("Skope") as at the date of my appointment advising of my appointment and requesting further details in relation to their security interest.

Skope subsequently responded advising that their security interest had been discharged and provided a discharge registration verification statement to confirm the discharge.

Solaris Paper Pty Ltd

Correspondence was sent to Solaris Paper Pty Ltd ("Solaris") as at the date of my appointment, advising of my appointment and requesting further details in relation to their security interest.

To date no response has been received.

Westpac Banking Corporation

Correspondence was sent to Westpac Banking Corporation ("Westpac") as at the date of my appointment, advising of my appointment and requesting further details in relation to their security interest.

To date no response has been received.

The director advised that this security interest related to a motor vehicle, being a 2012 Holden Commodore Thunder SS Ute.

A review of the sale of business, which occurred prior to my appointment, indicates that this motor vehicle was included as part of the sale of business.

The director has advised that this motor vehicle has been paid out in full by the purchaser.

I am waiting for confirmation from Westpac to confirm this.

Pending the confirmation of the motor vehicle being paid out by the purchaser, I have deemed the sale of business to be a commercial sale of business.

Bastion Pacific Pty Ltd

Correspondence was sent to Bastion Pacific Pty Ltd ("Bastion") as at the date of my appointment, advising of my appointment.

The director advised as at the date of appointment \$1,700.60 was owed to Bastion.

Bastion initially provided a claim as an unsecured creditor.



Bastion subsequently submitted a proof of debt for the amount of \$1,700.60 advising that they registered a security interest against the Company, with the registration date being 22 August 2019.

In the event of a dividend, this claim will be further investigated to determine Bastion's priority pursuant to section 588FL of the Act.

Unsecured Creditors

The director advised as at the date of my appointment that unsecured creditors of the Company were owed a total of \$165,358.83.

My inquiries to date indicates a total of 30 unsecured creditors totalling \$330,048.18 are owed by the Company, details of which are below:

Unsecured Creditor	Amount \$
David Muffet*	147,238.13
Australian Taxation Office	95,783.75
Frank Vella*	18,168.17
Nowra Chemical Manufacturers Pty Ltd	11,696.10
Caprice Paper	8,324.84
Tomkin Australia	6,519.14
Paper Pak	5,741.55
Tom Stoddart Pty Ltd	4,701.04
Oates Clean	4,311.73
Unsecured Creditors (21)	27,563.73
Total	\$330,048.18

*These creditors are related party creditors of the Company. These claims will be further investigated in the event of a dividend.



Deficiency Analysis

A deficiency analysis has been undertaken.

Based on the information provided by the Director and from my inquiries to date, I estimate the net deficiency (loss) to creditors to be approximately \$391,038, before the costs of the liquidation.

This deficiency is calculated as follows:

Summary of Assets and Liabilities

Details	Director's ERV	Estimated Realisable Value
	\$	\$
Assets		
Cash at bank	61,840	61,840
Trade Debtors	9,868	1,670
Forklift	-	1,000
Total Assets	71,708	64,510
Liabilities		
Priority Creditors	-	-
Secured creditors	122,670	125,500
Unsecured creditors	165,358	330,048
Total Liabilities	288,029	455,548
Estimated surplus / deficiency	(216,321)	(391,038)

The explanation of the deficiency is indeterminable due to the Company's books and records failing to be properly maintained post June 2019.

My inquiries into the Company's bank statements indicates that the deficiency may have been caused by large loans taken by the Company not secured to assets owned by the Company.

When the Company's profits began to decrease, in order for the Company to service its loans, the Company had to allocate funds away from its creditors, resulting in a build of unsecured creditors.

Had the Company secured the loans against assets of the Company, the Company could have realised those assets, satisfied the loans and continued to trade.

3.8 Historical Financial Performance

The following is a summary of the Company's financial position from June 2017 to the date of my appointment:



Comparative Balance Sheets				
	Internally Prepared as at 16/10/2019	Internally Prepared FYE 2018-19	Externally Prepared FYE 2017-18	Externally Prepared FYE 2016-17
	\$	\$	\$	\$
Assets				
Current Assets				
Bank Account Main ANZ	\$129,985.26	\$23,561.30	\$28,021.00	\$20,406.00
ANZ "BAS" Account 76031	\$3,560.57	\$3,560.57	\$5,704.00	\$55,542.00
Blessing of the Fleet 45919	\$2,753.48	\$2,753.48	\$7.00	-
Cash on Hand	-	-	\$1,002.00	(253.00)
Income Tax Receivable	-	-	\$8,301.00	-
Cash Drawer (Cash Tin)	(\$10.00)	(\$10.00)	-	-
Cash Clearing Account	\$17,077.16	\$17,077.16	-	-
Un-deposited Funds	\$17,261.44	\$12,329.29	-	-
Suspense	(\$116.33)	(\$116.33)	-	-
Unidentified Deposits	(\$82.73)	(\$82.73)	-	-
Trade Debtors	\$96,551.22	\$50,891.31	\$166,486.00	\$107,162.00
Merchandise Inventory	\$107,981.18	\$183,424.89	\$275,880.00	\$209,891.00
Deposits Paid	\$5.38	(\$67.77)	-	-
Total Current Assets	\$374,966.63	\$293,321.17	\$485,401.00	\$392,748.00
Non-Current Assets				
Borrowing Costs	-	-	\$1,332.00	\$1,884.00
General Pool	-	-	\$56,377.00	\$74,208.00
Software Development Pool	-	-	\$19,880.00	-
Borrowing Expenses Capitalised	\$1,883.76	\$1,883.76	-	-
Lease Improvement at Cost	\$1,632.73	\$1,632.73	-	-
Office Equipment at Cost	\$1,499.00	\$1,499.00	-	-
Warehouse Equipment at Cost	\$550.91	\$550.91	-	-
Business Purchase Fluid Extension	\$4,357.72	\$4,357.72	-	-
Motor Vehicles at Cost	(\$21,363.64)	(\$21,363.64)	-	-
Small Business Asset Pool	\$74,207.82	\$74,207.82	-	-
Goodwill On Acquisition	\$160,350.00	\$160,350.00	\$160,350.00	\$160,350.00
Total Non-Current Assets	\$223,118.30	\$223,118.30	\$237,939.00	\$236,442.00
Total Assets	\$598,084.93	\$516,439.47	\$723,340.00	\$629,190.00
Liabilities				
Current Liabilities				
Credit Card VISA ANZ	\$9,696.47	\$9,696.47	\$8,638.00	-
Trade Creditors	\$191,474.16	\$203,311.18	\$200,667.00	\$75,005.00
GST Collectable	\$45,382.07	\$34,315.42	-	-
GST Paid	(\$45,344.19)	(\$44,024.45)	-	-
GST	-	-	(\$232.00)	\$1,499.00
GST Payable - Per ATO	(\$13,761.66)	(\$13,761.66)	-	-
Integrated Client Account – ATO	-	-	\$33,675.00	-
PAYG Withholding Payable	\$14,776.88	\$9,787.88	\$4,932.00	\$6,211.00
Superannuation Payable	\$6,479.32	\$3,793.10	\$5,442.00	\$5,512.00
Taxation	-	-	\$22,629.00	\$25,572.00
Income Tax Payable	\$11,700.07	\$11,700.07	-	-



Customer Deposits	(\$39.93)	(\$205.93)	-	-
AP Accrual – Inventory	-	-	-	-
Total Current Liabilities	\$220,367.19	\$214,612.08	\$275,751.00	\$113,799.00
Non-current Liabilities				
Bank Loan Business ANZ	\$122,248.23	\$122,248.23	\$153,320.00	\$184,139.00
VW Finance Loan	\$54,215.33	\$54,215.33	\$40,543.00	\$54,215.00
Less Un-expensed Charges	(\$6,515.33)	(\$6,515.33)	(\$4,887.00)	(\$6,515.00)
VW Finance Loan 2	(\$27,343.68)	(\$27,343.68)	-	-
Child Support	\$65.49	\$65.49	-	-
Loan - St George Holden Ute	(\$2,818.25)	(\$2,818.25)	-	-
Loan - David Muffet	\$147,238.13	\$147,238.13	\$152,288.00	\$163,038.00
Loan - Frank Vella	\$18,168.17	\$18,168.17	\$18,168.00	\$28,636.00
Total Non-Current Liabilities	\$305,258.09	\$305,258.09	\$359,432.00	\$423,513.00
Total Liabilities	\$525,621.28	\$519,870.17	\$635,183.00	\$537,312.00
Net Assets/(Deficiency)	\$72,459.65	(\$3,430.70)	\$88,157.00	\$91,878.00

The Company's financial performance from FYE 2018 to FYE 2019 is summarised as follows:

Detail	Internally Prepared 16/10/2019	Internally Prepared FYE 2019	Externally Prepared FYE 2018	Externally Prepared FYE 2017
Sales	\$146,947.68	\$1,599,613.80	\$1,775,571.00	\$1,440,000.00
Other Revenue	-	\$0.90	\$562.00	\$2,895.00
Less Cost of Sales	\$20,883.46	\$1,117,071.03	\$1,235,591.00	\$1,012,710.00
Gross Profit	\$126,064.22	\$482,543.67	\$540,542.00	\$430,185.00
Less Expenses	\$31,483.66	\$467,819.40	\$528,455.00	\$324,196.00
Other Expenses	-	\$9,961.21	\$15,107.00	\$15,782.00
Net Profit	\$94,580.56	\$4,763.06	(\$3,020.00)	\$90,207.00
Gross Profit Ratio	85.79%	30.17%	30.44%	29.87%
Net Profit Ratio	64.36%	0.30%	(0.17%)	6.26%

I provide the following explanation in relation to the ratios detailed in the table above;

The gross profit ratio is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of a business.

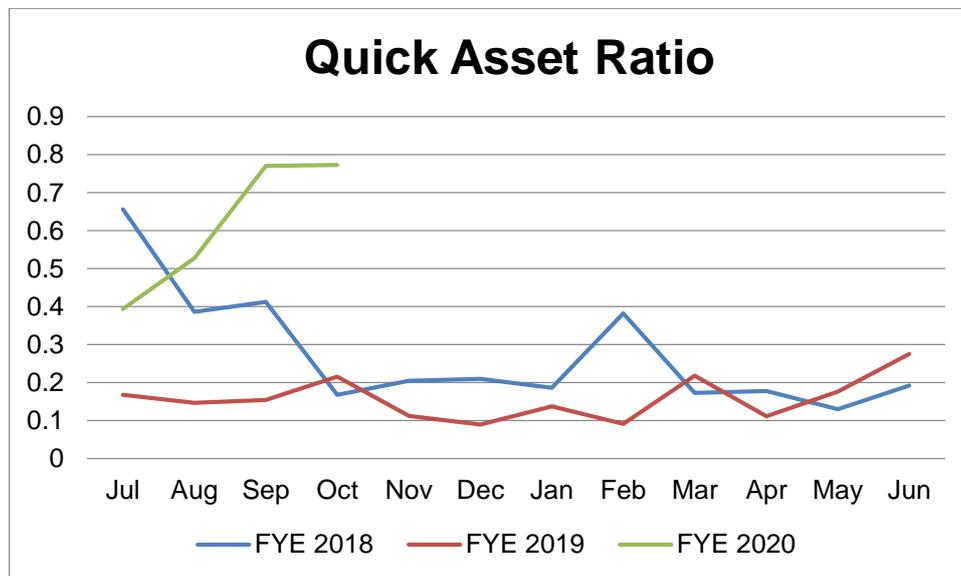
As seen from the above table, the Company's gross profit ratio from externally prepared financial statements FYE 2017 to 2018 and internally prepared financial statement FYE 2019 is below 50% with the exception of the period ending 16 October 2019, which indicates 85% gross profit ratio. However, this is due to the financial statements not being accurately prepared as at date of appointment.

The net profit percentage is the ratio of profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales.



The net profit ratio indicates a profit below 10% as revealed in externally prepared financial statements FYE 2017 to 2018 and internally prepared financial statement FYE 2019. This reveals a minimal to no profit from FYE 2017 to FYE 2019. As of 16 October 2019, it increased to 64.36%. However, as stated previously, this is due to the financial statements not being accurately prepared as at date of appointment.

A summary of the Company's key financial indicators is set out below using the Company's internally prepared financial statements.

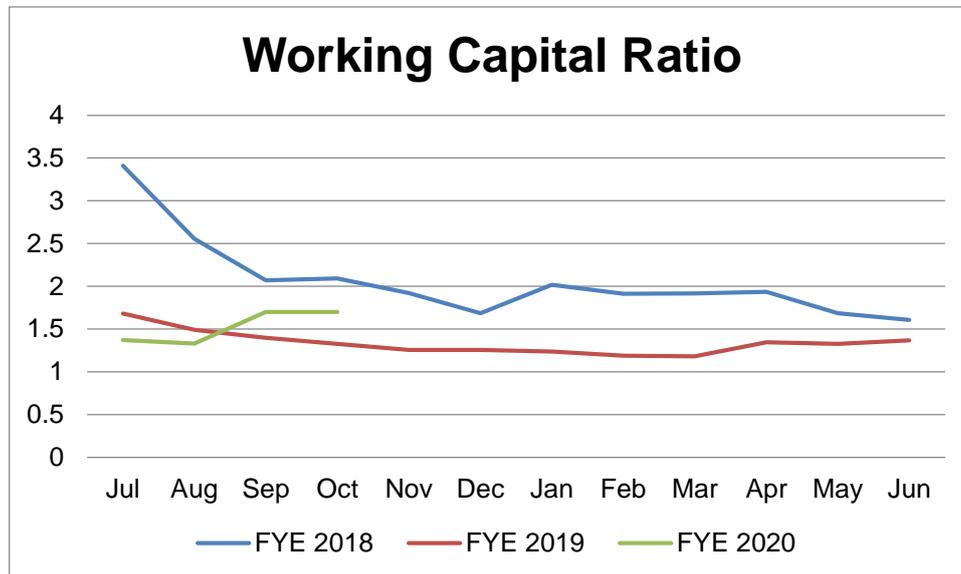


The quick asset ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they become due with only quick assets, being cash, cash equivalents, short-term investments, marketable securities, and current accounts receivable.

A company with a quick ratio of 1 indicates that a company could pay off its current liabilities without selling any long-term assets.

As seen from above, the Company's quick assets ratios were below 1 during FYE 2018, FYE 2019 and for the period 1 July 2019 to 16 October 2019, indicating the Company's inability to pay off its creditors with quick assets during FYE 2018, FYE 2019 and for the period 1 July 2019 to 16 October 2019.

It is noted that the ratios did increase from 1 July 2019 to 16 October 2019, however as mentioned previously, the Company's internally prepared financials for the period ending 16 October 2019 were incorrectly prepared and do not reflect the true financial position of the Company.



The working capital ratio is a measure of a business's liquidity, revealing whether a business can pay its obligations. The ratio is the relative proportion of an entity's current assets to its current liabilities, and shows the ability of a business to pay for its current liabilities with its current assets.

A company with a working capital ratio of 1 indicates that current assets equal current liabilities and shows the Company's ability to pay off its current liabilities without selling any long-term assets.

A review of the Company's working capital ratios, as seen from the above graph, indicates that for all periods the Company's working capital ratios were above 1. However as previously advised, from 1 July 2019 to 16 October 2019, the Company's financial statements had been incorrectly prepared.

4. Asset Realisations

Attached as **Appendix A** is a summary of my receipt and payments.

I have been able to recover the sum of \$61,840, being cash at bank as at the date of my appointment as Administrator of the Company and \$1,000 that was receivable from the sale of the Company's forklift prior to appointment.

I will continue to pursue asset recoveries, being the collection of the Company's remaining debtors, however as stated previously, I do not anticipate there will be any debtor collections, due to age and quantum of the debtors, which is rendering them uncommercial to pursue.



5. Investigations

5.1 Overview

As liquidator, I am required to investigate the affairs of the Company. The purpose of these investigations is to identify matters which require a more detailed review, as well as determining any causes of action (legal claims) and other potential sources of recovery, such as loan accounts, that might be available for the benefit of creditors of the Company.

I am also required to lodge a report pursuant to section 533 of Act where it appears that any past or present officer of the Company may have committed an offence or where a dividend to unsecured creditors of less than 50 cents in the dollar is paid.

I have considered whether there are transactions where money, property or other benefits may be recoverable as liquidator under Part 5.7B of the Act. These are discussed further below.

I have undertaken an investigation of the affairs of the Company in relation to suspected contraventions of sections 180 - 184 of the Act regarding the general duties of directors and officers. At this stage I have not found any contraventions.

5.2 Approach to Preliminary Investigations

From my preliminary investigation, I have:

- Identified, reviewed and analysed financial and other information; and
- Undertaken searches of various publicly available databases, including ASIC and PPSR.

5.3 Voidable Transactions

As the Company has been placed into liquidation, certain transactions may be investigated and recovered by me. Recovery of any voidable transaction may be expensive and likely to require Court applications and litigation. As such, should there be inadequate funds available, or I consider it uncommercial or not in the creditors' best interests, such recovery actions may not be commenced.

In these circumstances, creditors wishing to fund any such actions may do so. Should any funds be recovered from these actions, the creditors providing the funding may be entitled to receive their contribution in priority to other creditors.

Litigation insurance or litigation funding may also be available to fund potential actions.

However, such funding is generally only available where legal advice indicates that there is a strong likelihood for a successful outcome.

I provide the following information in relation to voidable transactions:



Unfair Preferences Payments (Section 588FA)

My investigations into the affairs of the Company have included the review of payments from the Company's bank account in the six months leading up to my appointment as Administrator which could be considered preferential in nature and recoverable.

I have examined the books and records of the Company, in which I have identified 37 transactions to 7 different creditors totalling \$56,789 which could be considered to be preferential in nature pursuant to the provisions of the Act.

The recovery of preferential payments may be subject to defences available to the recipient(s) of the above payments as per the provisions of the Act.

Further inquiries reveal that 6 payments totalling \$22,289 may be collectable in full whereas 31 payments totalling \$34,500 are *prima facie* based on a debtor-creditor relationship and will be subject to defences available to the recipient(s) of these payments as per the provisions of the Act.

I am still conducting a more thorough investigation of these transactions by collating sufficient evidence both documentary and circumstantial to determine whether recovery action should be commenced in respect of these transactions.

Uncommercial Transactions (Section 588FB)

As you are aware the Company's business was sold prior to my appointment to an unrelated entity.

My investigations of the Company's books and records have not revealed any uncommercial transactions, which includes the sale of business, however I am waiting on further information from Westpac to confirm the sale of business was a commercial sale.

Arrangements to Avoid Employee Entitlements (Section 596AB)

I have not identified any transactions of this nature.

Circulating Security Interests Created Within Six Months (Section 588FJ and FL)

A search of the PPSR revealed 1 circulating security interests created in the six (6) month period prior to the relation back day, being Bastion.

In the event of a dividend, this claim will be further investigated to determine Bastion's priority pursuant to section 588FL of the Act.

Unreasonable Director-Related Transactions (Section 588FDA)

My investigations of the Company's books and records of the Company have not revealed any unreasonable director-related transactions, which includes the sale of business, however I am waiting on further information from Westpac to confirm the sale of business was a commercial sale.



Unfair Loans (Section 588FD)

My investigations have not identified any unfair loans.

5.4 Insolvent Trading

Directors can be held personally liable for the debts of a company in certain circumstances.

The Act provides that directors owe a duty of care not to incur debts at a time when a company is insolvent or would become insolvent by incurring the debt (section 588G of the Act). If there are reasonable grounds for suspecting that a company would become insolvent, then a director can be held personally liable for any debts incurred after that time.

The Act provides that a liquidator may seek to recover compensation for such debts incurred from the directors of a company.

I advise pursuing claims for insolvent trading are often drawn out and involve significant cost.

Creditors should also be aware any successful claim may be set-off by a director against amounts due to that individual by way of unsecured advances or loan accounts. In this regard, I note the Director has a loan to the Company in the amount of \$147,238.13.

Defences

The Act provides a number of possible defences to Directors to a claim for insolvent trading. These defences are:

- At the time a debt was incurred, a director had reasonable grounds to expect and did expect the company was solvent and would remain solvent if it incurred that debt and any other debts that it had incurred at that time.
- At the time the debt was incurred, a director had reasonable grounds to believe and did believe that a competent and reliable person was responsible for providing information about the company's solvency and that person was fulfilling that responsibility.
- A director through illness or some other good reason were not taking part in the management of a company at the time the debt was incurred.
- The directors took all reasonable steps to prevent a company from incurring the debt.
- The directors took a 'safe harbour' course of action that resulted in a better return to creditors than immediately entering into external administration.

Timing of Insolvency

The Act states a company is considered to be solvent if, and only if, the company is able to pay its debts as and when they become due and payable. A company that is not solvent is insolvent. Accordingly, the test for insolvency is not a balance sheet test but rather a cash flow test.



Results of Investigations

My investigations indicate that the Company has been trading whilst insolvent from at least April 2019, as this is the time debts started to accumulate and creditors started to take action against the Company.

Further Inquiries

The following further inquiries will be undertaken to finalise my investigations and determine whether any recovery actions should be taken:

1. Finalising my inquiries into preferential transactions;
2. Finalise my inquiries into insolvent trading; and
3. Finalise my inquiries into uncommercial transactions.

Funding of Further Investigations

In relation to pursuing voidable transactions, including insolvent trading, money for the recovery of such actions would come from the assets of the Company. If there were insufficient funds from the assets of the Company, alternative options are:

- Funding by creditors - if funding was received from creditors, section 564 of the Act provides the Court with the power to make orders in favour of creditors who have provided an indemnity for costs of litigation or costs of the liquidator, where those creditors may be given an advantage over other creditors in consideration of the risk assumed by creditors. An advantage may include the distribution of some or all of the net proceeds from that action that was funded to the creditor that provided the funding or indemnity in priority to creditors with whom that creditor would normally be ranked.
- Funding from a litigation funder - a litigation funder is an organisation that provides funds for the pursuit of legal actions. The funding typically covers the costs of lawyers, barristers and the external administrator and provides an indemnity for any adverse cost order if the legal action is unsuccessful. A litigation funder only takes on actions that it considers have a high probability of success and are likely to result in a substantial return. The agreement with the litigation funder usually provides for a substantial amount of any return to be paid to them.
- ASIC's Assetless Administration Fund – this fund finances preliminary investigations and reports by liquidators into the failure of companies with few or no assets, where it appears that enforcement action may result from the investigation and report. A particular focus of the fund is to curb fraudulent phoenix activity. This fund is subject to certain limitations and will not be available in this liquidation.
- Fair Entitlements Guarantee (FEG) Recovery Program – this program provides funding for pursuing recovery proceedings, including litigation, to increase assets available to creditors in the winding up where there have been amounts advanced under FEG. I have reviewed



the criteria and do not consider that an application for funding would be successful and accordingly, I do not intend to make an application.

Any creditor willing to fund any recovery action is requested to contact me.

5.5 Offences

On my examination of the Company's affairs to date I have not identified any offences committed by the officers of the Company.

5.6 Limitation of Investigations

The opinion outlined above is based on investigations undertaken by my office into the Company's affairs, business and financial position. My investigations have been based on the following information:

- Representations of the Directors;
- The details of the Company's assets and liabilities;
- The books and records of the Company; and
- Publicly available searches.

5.7 Offences in Relation to the Companies – Section 533

Any offences committed by the Directors will be included in my report to ASIC under section 533 of the Act.

6. Likelihood of a Dividend

At this stage of the liquidation there will be no dividend paid in this liquidation. However, this is subject to the outcome of any recoveries associated with recovery from antecedent transactions.

7. Outstanding Matters

The following matters still need to be completed and further inquiries made, prior to the finalisation of the liquidation:

- Realisation of the remaining assets, being the collection of debtors;
- Finalise investigations into voidable transactions; and
- Finalise investigation regarding insolvent trading.

It is expected that the liquidation will be completed within 6 months. However, completion may be delayed if any of the following occur:



- A delay in realisation of assets;
- Recovery actions are pursued; or
- ASIC commences litigation against an officer of the Company, including a Director.

8. Further Information Available to Creditors

The Australian Restructuring Insolvency and Turnaround Association (ARITA) provides information to assist creditors with understanding liquidations and insolvency. This information is available from ARITA's website at www.arita.com.au.

ASIC provides information sheets on a range of insolvency topics. These information sheets can be accessed on ASIC's website at www.asic.gov.au/insolvencyinfosheets.

If further information becomes available on the progress of the liquidation, I may distribute a further report to creditors.

Creditors requiring further information regarding the liquidation can contact me.

Yours faithfully

Ezio Senatore
Liquidator

Date of Appointment:	Administrator:	16 October 2019
	Liquidator:	20 November 2019
Contact name:	Ezio (Eddie) Senatore	
Contact number:	(02) 6100 3435	
Email:	hello@eddiesenatore.com	

Appendices

Appendix A - List of receipts and payments



Appendix "A"



**CAAAMS Pty Ltd
(In Liquidation)
Formerly Trading as South Coast Hospitality NSW
Summary of Liquidator's Receipts and Payments
To 12 December 2019**

Receipts	Total (AUD) \$
Cash at Bank	13,659.74
Sale of Asset—Forklift	1,000.00
GST Clearing Account	4,380.00
Total Receipts	19,039.74

Payments	Total (AUD) \$
Bank Charges	0.60
Total	0.60

Cash At Bank As At 12 December 2019	\$19,039.14
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**Ezio Senatore
Liquidator**